

Message Text

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AID-05 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01

CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02

OPIC-03 LAB-04 SIL-01 DODE-00 PA-01 PRS-01 FPC-01 H-02

L-03 INT-05 PM-04 SAM-01 OES-03 FEA-01 OIC-02 NSCE-00

SSO-00 USIE-00 INRE-00 /131 W
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O R 110900Z FEB 76

FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC IMMEDIATE 2805

AMEMBASSY PARIS IMMEDIATE

INFO AMEMBASSY ALGIERS

AMEMBASSY BELGRADE

AMEMBASSY BRASILIA

AMEMBASSY BRUSSELS

AMEMBASSY BUENOS AIRES

AMEMBASSY CAIRO

AMEMBASSY ISLAMABAD

AMEMBASSY KINGSTON

AMEMBASSY KINSHASA

AMEMBASSY LIMA

AMEMBASSY MEXICO CITY

AMEMBASSY NEW DELHI

AMEMBASSY LONDON

AMEMBASSY YAOUNDE

USMISSION USUN

USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 1 OF 2 LUSAKA 0338

PARIS FOR CIEC DELEGATION

EO 11652: GDS

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TAGS: ENRG, EFIN, CIEC, ZA

SUBJECT: REPORTING REQUIREMENTS FOR WORK OF CIEC

REF: STATE 020560

1. GENERAL COMMENT: GRZ ATTITUDE TOWARD CIEC IS COLORED BY NEAR TOTAL PREOCCUPATION WITH IMMEDIATE ECONOMIC/POLITICAL PROBLEMS ARISING FROM SHARPLY LOWERED COPPER REVENUES. GRZ VIEWS CIEC CONFERENCE AS UNLIKELY SOURCE OF IMMEDIATE ECONOMIC RELIEF. THERE IS FEAR US WILL CONCENTRATE HEAVILY ON ENERGY ISSUES AND BE LESS ACTIVE IN WORK OF OTHER THREE COMMISSIONS IN WHICH GRZ HAS GREATER INTEREST. MAGNITUDE OF PROBLEMS FACING ZAMBIA WILL TEMPT GRZ TO FAVOR DRAMATIC SOLUTIONS BUT ZAMBIAN INTERESTS AS WELL AS STYLE WILL LIKELY INFLUENCE DELEGATION'S POSITION AWAY FROM ONE OF CONFRONTATION WITH DC'S OR WITH OPEC. WE WOULD EXPECT GRZ TO EMPHASIZE UNIQUENESS OF ITS GEOGRAPHICAL AND ECONOMIC SITUATION AND PROBLEMS RESULTING FROM ANGOLAN WAR RATHER THAN ANY SIMILARITY WITH OTHER LDC'S. PUBLIC OR PRIVATE AWARENESS OF CIEC OR DISCUSSION ABOUT ISSUES TO BE RAISED THERE HAS YET TO DEVELOP IN ZAMBIA. WE THEREFORE DO NOT EXPECT GRZ TO TAKE ROLE OF INITIATOR BUT TO PLAY MODERATING IF MODEST ROLE WITHIN LDC CAUCUS.

2. ENERGY COMMISSION: ZAMBIANS ARE OF COURSE CONCERNED BY CURRENT HIGH PRICE OF OIL AND IMPACT THIS HAS HAD ON ZAMBIAN ECONOMY. WE EXPECT GRZ WILL BE APPROACHING SOME OPEC COUNTRIES FOR ASSISTANCE DURING COMING WEEKS AND UNLESS IT RECEIVES FLAT TURN DOWN, CRITICISM OF OPEC BY GRZ WILL BE MUTED. ZAMBIANS IN ANY EVENT ARE INCLINED SEE DC-OWNED TRANSNATIONAL COMPANIES AS RESPONSIBLE AS OPEC GOVERNMENTS-- IF NOT MORE SO--FOR HIGHER PRICE OF OIL AND OIL PRODUCTS. ALTHOUGH OIL POOR, ZAMBIA HAS ABUNDANT SUPPLIES OF COAL AND OF HYDRO-ELECTRIC POWER (LUSAKA 0160) AND THUS ABLE VIEW ITS LONG-TERM ENERGY REQUIREMENTS WITH SOMEWHAT GREATER EQUANIMITY THAN MAY OTHER LDC'S.

3. RAW MATERIALS COMMISSION: PRIMARY GOAL OF ZAMBIAN DELEGATION AT CIEC WILL BE TO ACHIEVE COMMODITY PRICE STABILIZATION FOR COPPER AND OTHER COMMODITIES. ZAMBIA FAVORS AN APPROACH ALONG THE LINES OF UNCTAD INTEGRATED PROGRAM FOR COMMODITY STABILITY AND SEEKS AGREEMENT BETWEEN PRODUCERS AND CONSUMERS

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ON COMMODITY PRICES. THIS IS CONSIDERED PREFERABLE TO UNILATERAL PRODUCER ACTION SINCE CIPEC GENERALLY RECOGNIZED AS DISMAL FAILURE IN UPHOLDING COPPER PRICES. THERE IS SOME OPTIMISM WITHIN GRZ ABOUT POSSIBLE FINANCING OF BUFFER STOCKS BY OPEC COUNTRIES. THERE IS ALSO CLEAR RECOGNITION THAT IN ABSENCE OF STABILIZATION SCHEME, ZAMBIA WOULD BE REQUIRED TO KEEP FOREIGN RESERVE LEVEL HIGH ENOUGH TO CUSHION LOW COPPER PRICES TO AVOID HAVING TO APPLY STOP-GO ECONOMIC POLICIES AS HAS BEEN CASE

IN RECENT YEARS. GRZ VIEWS OPPORTUNITY COSTS OF ACCUMULATING HIGH-LEVEL RESERVES CLEARLY UNACCEPTABLE, HOWEVER. UNTIL CONSUMER - PRODUCER AGREEMENT REACHED, INCREASED AVAILABILITY OF INTERNATIONAL CREDIT DURING PERIODS OF LOW COPPER PRICES SEEN AS MOST PRACTICABLE SOLUTION. RECENT IMF REFORMS IN JAMAICA ARE SEEN AS HELPFUL BUT NOT OF SUFFICIENT SCOPE TO RESOLVE PROBLEM OF COMMODITY PRICE FLUCTUATIONS AS THEY AFFECT ZAMBIA.

4. INDEXATION OF PRICES. ZAMBIA FEELS RATHER STRONGLY IN FAVORING A SYSTEM OF PRICE INDEXING RELATING COST OF IMPORTED FINANCED GOODS TO THE ACTUAL PRICE RECEIVED BY THE RAW MATERIAL PRODUCERS. GRZ BELIEVES THAT OVER LONG TERM PRICES RECEIVED FOR RAW MATERIALS HAVE NOT RISEN COMMENSURATE WITH PRICES PAID FOR PRODUCTS FROM INDUSTRIALIZED COUNTRIES. THIS BELIEF EVEN ENCOMPASSES PETROLEUM PRODUCTS AND BY-PRODUCTS, PRICE OF WHICH ZAMBIANS FEEL HAS BEEN ESCALATED MORE SHARPLY BY DC'S THAN BY PRODUCING COUNTRIES. SINCE EARLY 1975, HOWEVER, WE HAVE HEARD LITTLE IN WAY OF DISCUSSION OF WHAT WOULD BE "FAIR" BASE PRICE FOR ZAMBIAN COPPER. AT THAT TIME PRICE IN RANGE OF 800 POUNDS STERLING WAS SEEN AS ADEQUATE. WITH FALL IN VALUE OF STERLING AND ESCALATION OF PRODUCTION COSTS, ZAMBIA WOULD PROBABLY REQUIRE INDEXING BASE IN RANGE OF POUNDS STERLING ONE THOUSAND.

5. REPRESENTATION OF OTHER LDC INTERESTS: BECAUSE OF ZAMBIA'S PREOCCUPATION WITH COPPER WE WOULD EXPECT IT TO COORDINATE CLOSELY WITHIN THE COMMITTEE WITH ZAIRE AND POSSIBLY PERU -- FELLOW OPEC MEMBERS. WE DOUBT GRZ WILL BE SIGNIFICANT SPOKESMAN FOR OTHER LDC'S UNREPRESENTED ON COMMITTEE.

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AID-05 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01

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SSO-00 USIE-00 INRE-00 /131 W
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O R 110900Z FEB 76
FM AMEMBASSY LUSAKA
TO SECSTATE WASHDC IMMEDIATE 2806
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INFO AMEMBASSY ALGIERS
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6. DEVELOPMENT COMMISSION: ON DEVELOPMENT ISSUES ZAMBIA
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WILL VIEW INCREASING ACCESS BY LDC'S TO FOREIGN CAPTIAL AS OF
PARAMOUNT IMPORTANCE. FACING WORST ECONOMIC CRISIS SINCE
INDEPENDENCE, GRZ WILL NEED EXTERNAL FINANCING OF UP TO HALF
BILLION DOLLARS OR MORE DURING 1976 ALONE. EVEN LIBERALIZED LEVELS
OF ASSISTANCE FROM IMF FOLLOWING JAMAICA REFORMS ARE SEEN
AS INADEQUATE. GRZ WOULD CLEARLY WELCOME WIDER AND
GREATER DISTRIBUTION OF AID BY OPEC TO LDC'S (ZAMBIA SO
FAR HAS BENEFITTED VERY LITTLE FROM SUCH AID) BUT SEES LITTLE
POSSIBILITY THAT OPEC COULD BECOME A MAJOR SOURCE OF FINANCING
FOR LDC'S LIKE ZAMBIA WITH BOP PROBLEMS. GRZ HAS APPLAUDED
EFFORTS BY US AND OTHER INDUSTRIALIZED COUNTRIES TO LIBERALIZE
LDC MARKET ACCESS BUT ZAMBIA WILL DERIVE LITTLE SHORT TERM
BENEFITS FROM GSP. BELATEDLY, GRZ SEEMS TO BE RECOGNIZING
CONTRIBUTION OF TRANSNATIONAL ENTERPRISES IN TRANSFER OF
CAPITAL AND TECHNOLOGY TO LDC'S. IT WOULD PROBABLY PLAY
CONSTRUCTIVE ROLE IN ANY EFFORTS TO FORMALIZE CODE OF CONDUCT FOR
MULTINATIONALS ALTHOUGH IT HAS BEEN SLOW TO CLARIFY RULES FOR
FOREIGN INVESTORS IN ZAMBIA.

7. FINANCE COMMISSION: ZAMBIANS SEE LITTLE PROSPECT THAT IMF AND IBRD, AS PRESENTLY ORGANIZED AND IN NEED OF RESTRUCTURING AND UPDATING CAN DO MUCH TO ASSIST LDC'S IN THEIR PRESENT CRITICAL BOP PROBLEM. THEY ALSO FEEL THAT AT PRESENT TIME IMF "THIRD WINDOW" FINANCIAL ASSISTANCE IS OF TOO SHORT A DURATION TO BE OF VALUE TO LDC'S AND THAT RESTRICTIONS ON ELIGIBILITY ARE TOO SEVERE, I.E., ZAMBIA BY NOT BEING CONSIDERED AS MSA HAS ONLY LIMITED ACCESS TO SUCH SPECIAL FACILITIES. ZAMBIANS WILL LIKELY DEMAND THIRTY YEAR MINIMUM REPAYMENT PERIODS ON NEW ASSISTANCE AND MAY EVEN SEEK WRITE OFF OF EXISTING LDC FOREIGN DEBT ACCUMULATIONS THROUGH CONVERSION BY DC LENDERS OF PAST OUTSTANDING LOANS INTO GRANTS TO LDC'S. GRZ ALSO HAS STRONG BELIEF THAT FLOATING EXCHANGE RATES WORK TO DISADVANTAGE OF LDC'S THROUGH ADVERSE EFFECT ON INTERNATIONAL TRADE.
WILKOWSKI

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